

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 3440 – SB 3281

March 14, 2012

**SUMMARY OF AMENDMENT (013438):** Deletes all language after the enacting clause. Requires local governments issuing tax-supported debt to have level debt service payments and repay such debt within 30 fiscal years; or repay at least 50 percent of the original principal amount of the obligation within 10 years following the issuance of the obligation. Authorizes the State Funding Board to exempt from the principal repayment requirements of this part any debt obligation: deemed de minimis by the Board; where the local government is required by statute to participate in the financing program; that is a conduit transaction for a nongovernmental entity; or where a different repayment schedule for the obligation is deemed consistent with the intent of this part.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Other Fiscal Impact – The fiscal impact of the proposed legislation is dependent on the amount of debt being sold and the interest rates at the time of the sale. The longer the amortization period for the debt, the higher interest expenditures will be. The higher interest expense is somewhat offset by the requirement that 50 percent of the debt be amortized over the first 10 years of the debt issuance. The shorter the amortization schedule, the greater the annual debt service payments will be.**

Assumptions applied to amendment:

- According to the Comptroller of the Treasury's Office (COT), the fiscal impact of this bill is dependent on the amount of debt being sold and the interest rates at the time of the sale. The bill permits the issuer to amortize the debt over 30 years and requires the issuer to pay at least level debt service. However, 50 percent of the debt must be repaid in 10 years.
- According to COT, the longer the amortization period for the debt, the higher the interest expenditures will be. The higher interest expense is somewhat offset by the requirement that 50 percent of the debt be amortized over the first 10 years of the debt

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issuance. The shorter the amortization schedule, the greater the annual debt service payments will be.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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